



# Solution Development

2020

## PROPOSAL PRICING STRATEGIES

**LSI Consultants:  
Jim Baddley & Pati Campbell**

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Utah Governor's Office of  
Economic Development

PROCUREMENT TECHNICAL  
ASSISTANCE CENTER

**PTAC**

# WEBINAR SCHEDULE

- Time: 9:30 – 11:00 a.m. MDT
- Questions may be asked anytime during the presentation and at the end by using the chat option.
- Contact information for PTAC Regional Managers will be available at the conclusion of the webinar.

# INTRODUCTION

- The Purpose of this webinar is to provide information to the Small Business community that will further everyone's understanding of various pricing concepts and issues, as they relate to the Federal acquisition process.
- We will discuss risks associated with federal contracting, both before and after the award of a contract, along with some contracting terms and their meaning.
- Consideration of all these variables will help to build a solid pricing strategy and a more effective response to Federal Solicitations.



# INTRODUCTION

- Jim Baddley is an LSI consultant with over 30 years of Federal Contracting experience as a Contract Price Analyst. He is currently an instructor for the Defense Acquisition University. The insights he will share come from his many years of experience and situations he has encountered.
- Pati Campbell is an LSI consultant with over 30 years of Federal Contracting experience as a Contracting Officer and Supervisor for the Airforce and the Defense Security Service. She has also served as a Policy Analyst and Contracting Technical Director overseeing major Air Force source selections above \$50M.



# INITIAL CONSIDERATIONS

- **Market Conditions**
  - Commercial Item/Service
  - Widely Competitive
  - Limited Pool of Competitors
  - Government Only
    - Availability of Drawings
    - Qualified Sources
- **Risks**
  - Business Risks
  - Unique Government Contracting Risks



# RISKS

- **Government Cost Principles**
  - Not all cost legitimately incurred in the performance of a Government contract are allowable.
- **Protest is always a risk.**
- **Certifications, DATA or Information, Rights,**
- **Dealing with the Government limits normal business courtesies.**
- **Strict contract compliance**
- **Possible penalties and sanctions**



# RISKS

- **Collusive Bidding / Bid Rigging**
- **Code of Business Ethics and Mandatory Disclosures**
- **Disputes and Appeals**
- **Quality Assurance**
- **Labor Laws & Foreign Material Restrictions**
- **Government Property**
- **Sub- Contracting rules, procedures & responsibilities**



# SOLICITATIONS

## ■ Key Dates

- Proposal Due Date
- Pre-Proposal Meetings including site walks
- Industry Days
- Question & Answer Periods (RFIs for GSA)
- Amendments

## ■ Requirements

- Early submission of documents
  - Past Performance
  - Certifications
  - Bond Rating
  - Safety Plans





# PRICING CONSIDERATIONS

- **Commercial / Government Unique**
- **Sole Source / Competitive (Truth in Negotiation Act) TINA**
- **Types of Pricing/Cost Information**
  - **Price**
  - **Cost**
  - **Certified Cost**
  - **Other than Certified**
- **Fair and Reasonable Price Determinations**



# TYPES OF PRICING INFORMATION

- **FAR 15.402 Pricing Policy;** Governs how the Government looks at, or analyzes, price, cost and the associated data.
- **PRICE = All costs plus profit or fee.**
  - The FAR states how it's to be analyzed, you define, or determine what your PRICE is.
- **Price 15.404-1:** Proposal analysis techniques....(2) Price analysis shall be used when certified cost or pricing data are not required.
  - Includes previous sales to others
  - Schedule pricing (GSA)
  - Prices for similar items in the marketplace



# TYPES OF PRICING INFORMATION

- **Cost** –15.404-1 Proposal analysis techniques.... (3) Cost analysis shall be used to evaluate the reasonableness of individual cost elements when certified cost or pricing data are required. (4) Cost analysis may also be used to evaluate data other than certified cost or pricing data to determine cost reasonableness or cost realism when a fair and reasonable price cannot be determined through price analysis alone for commercial or non-commercial items.
- This is where the costs recognized by the Government may differ from normal legitimate costs of doing business.
- For large businesses, under a COST type contract, they must have a Cost Accounting System (CAS) compliant method for collecting costs.



# TYPES OF PRICING INFORMATION

- **Certified Cost and Pricing Data**
  - Is used in Sole Source acquisitions over TINA (\$2 million) and no exceptions apply (Competition, commercial, or set by law)
  - Certification basically means the information is current, accurate and complete and the contractor can be held liable if it is found not to be current, accurate and complete, and the contractor knew it, (Defective Pricing)
  
- **Other than Certified**
  - The data may be the same but just not certified.



# PRICING INFORMATION

## ■ Fair and Reasonable

- It's in the eye of the beholder, no definition in the FAR.
- Normally competition will determine the price to be what the market will bear and the CO can use competition to make the fair and reasonable determination, so long as Prices are within a competitive range and not unbalanced.
- However... when analyzing price or cost data, especially in the absence of competition, it becomes how much information the CO is confident in, and comfortable with.



# TYPES OF COST INFORMATION

- **Basis Of Estimates (BOEs) - DIRECT**
  - Material
    - Quotes
    - Purchase Orders
    - Inventory costs
  - Labor
    - Historical labor Hours
    - Basis for skill mix
    - Labor rates



# TYPES OF COST INFORMATION

## LABOR AND WAGES

- Are there any contract requirements/minimums that must be followed (Service Contract Act, Davis Bacon etc.)
- Know the market in case you need to hire employees. Especially out of state.
  - Do they need to have security clearances, or will they be able to obtain them?
  - Do they need licenses/certifications?
- **Total Compensation is not just what you pay someone!!**



# TYPES OF COST INFORMATION

- **Basis Of Estimates (BOEs) - INDIRECT**
  - Indirect/Burdens
    - Examples: Fringe, Material OH, Labor OH, G&A
    - Pool costs
    - Base estimates
    - Historical rates
    - Provisional billing rates
    - FCCOM?





# TYPES OF COST INFORMATION OVERHEAD POOLS

- **Know your companies pool elements and estimated amounts**
  - What would make these elements change or impact them to a great degree?
  
- **Know the ratio between fixed and variable costs**
  - What are your fixed costs?
  - What are the variables?



# PROFIT/FEE

- **Vendor's Choice**
  - You determine your profit or fee
- **Statutory Limits**



# OTHER PRICING CONSIDERATIONS

## ESCALATION

- If you choose to escalate
- What have you incurred historically? (Records)
- Credible Index
  - Government uses Global Insight
  - Others available
- Do increases include COLA and Merit?
  - What's the difference?



# OTHER PRICING CONSIDERATIONS

## PRICING MULTIPLE QUANTITIES

- What are the ranges and is there a most likely or Best Estimated Quantity (BEQ)
- What is a strategy you can live with (1<sup>st</sup> unit of range, midpoint BEQ, etc.)
- Does the solicitation say all quantities may be awarded or partial quantities may be awarded? Does it say you must bid all?



# OTHER PRICING CONSIDERATIONS

## PRICING FIRST ARTICLES

- **This is where all the non-recurring costs should be.**
  - Ensures unit price integrity
  - Allows you to be paid upon delivery of the 1<sup>st</sup> article
  - Careful pricing of delivery CLINs applies to all contracts
- **Get it right the 1<sup>st</sup> time!** Delays in inspection and acceptance are common, and Costs can escalate in a hurry. The government doesn't always have their act together.



# PROPOSAL PREPARATION & PRICING MODEL

- Follow the instructions in the solicitation. Generally they are found in Section L, “Instructions To Offerors” if the Uniform Contract Format is used. If not, look for them.
- If the Government provides a spreadsheet, or a bid sheet with the solicitation, and requests it be filled out, use it. Don’t create your own and send it in even if yours is better. Double check the math, make sure the sheet accurately reflects your prices for all line items, and quantities before submitting.
- The example Jim has created is for demonstration, each company would have their own unique data points, but it shows how costs can change depending upon the variables.



# PROPOSAL EVALUATION

- **Depends on the acquisition type and Agency**
  - Small dollar /RFQ
  - FAR 15 Procedures
  - Schedules (GSA)
  
- **Methods**
  - Lowest Price
  - Lowest Price, Technically Acceptable
  - Best Value (price not the most important factor)



# PROPOSAL EVALUATION

## CONTRACTING OFFICER'S DETERMINATIONS

- **Contracting Officer's Determinations**
  - Price Reasonableness
  - Contractor Responsibility (FAR 9.104)
  - Proposal Analysis
    - It depends upon what type of acquisition, estimated dollar amount, competition and set asides.
    - Source Selections are an integrated assessment where price may or may not be the most important factor





# AFTER CONTRACT AWARD DEBRIEFINGS

- **Request a Contract Debriefing**
  - Timeframe: By written request received by the Agency within 3 Days after the Date on which that offeror received notification of contract award.
  - Debriefing should occur within 5 Days after receipt of written request
- **Why is it important?**



# AFTER CONTRACT AWARD PROTEST

- **Protest to the Agency** within 10 days after contract award or within 5 days after a debriefing date. CO must suspend performance pending resolution unless there is an urgent and compelling reason. Agencies should resolve within 35 days after protest is filed. Agency protest does not extend time for GAO protest.
- **Protests to GAO – Covered by 4 CFR Part 21** Within 10 days after contract award or within 5 days after a debriefing date. CO stops award, Performance, or Terminates Award, unless Urgent and Compelling is justified. GAO decision time is typically within 100 days of filing.



# AFTER CONTRACT AWARD CONTRACT ADMINISTRATION

- **Post Award Conference / Kick Off Meeting**
  - Opportunity to Meet the Team
  - Define/explain roles and any Delegation of functions
  - Discuss performance goals
- **Contracting Officer's Representatives CORs**
- **Change Orders and Modifications**



# AFTER CONTRACT AWARD

## RISKS ASSOCIATED WITH GOVERNMENT CONTRACTS

- **Apparent Authority**
  - Someone other than the CO directs work to be done under the contract
- **Difficult Government Officials**
- **Communication Issues**
- **Delays**
  - Government Caused Delays
  - Contractor Caused Delays



# AFTER CONTRACT AWARD HELP

- **If you experience difficulties with Government contracts, there are avenues of help available at no cost to small businesses.**
  - Your PTAC office/Regional Manager
  - The Small Business Administration
  - Agency Ombudsman
  - State Representative Offices
- **Be Proactive and keep very good records**



# QUESTIONS

- Thank you everyone for your attendance. The slides will be e-mailed to all participants.
- The PTAC Regional Manager's Information is provided below and they would all be very happy to assist you.



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